

CITY OF ELK POINT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2020

**CITY OF ELK POINT
MUNICIPAL OFFICIALS
DECEMBER 31, 2020**

Mayor:

Deborah McCreary

Governing Board:

Brad Zevenbergen

Jim Verros

Lance Penfield

Amanda Abraham

Kenneth VonHaden

Steve Nelson

Finance Officer:

Erika Hammitt

Municipal Attorney:

Craig K. Thompson

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QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
ELK POINT, SOUTH DAKOTA 57025

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(605) 356-3374

INDEPENDENT AUDITOR'S REPORT

City Council
City of Elk Point, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elk Point, South Dakota, as of and for the year ended December 31, 2020, and the related notes to the financial statements. We were not engaged to audit the financial statements of the discretely presented component unit. These financial statements collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Unit" paragraph we do not express an audit opinion on the discretely presented component unit.

The financial statements of the Elk Point Housing and Redevelopment Commission (HRC) have not been audited, and we were not engaged to audit the Elk Point HRC's financial statements as part of our audit of the City's financial statements. The Elk Point HRC's financial activities are included in the City's financial statements as a discretely presented component unit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the

purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Disclaimer of Opinion on the Discretely Presented Component Unit

The financial statements of the Housing and Redevelopment Commission (HRC) have not been audited, and we were not engaged to audit the HRC financial statements as part of the City's basic financial statements. HRC's financial activities are included in the City's basic financial statements as a discretely presented component unit and represent the assets, net position, and revenues of the City's discretely presented component unit.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Unit" paragraph, we did not obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit of the City of Elk Point. Accordingly, we do not express an opinion on those financial statements.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Elk Point, South Dakota as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Proportionate Share of the Net Pension Asset, the Schedule of the City's Contributions and the Budgetary Comparison Schedules listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Nonmajor Fund Financial Statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2021, on our consideration of the City of Elk Point's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Elk Point's internal control over financial reporting and compliance.



Quam, Berglin & Post, P.C.
Certified Public Accountants
Elk Point, SD

October 19, 2021

CITY OF ELK POINT 2020 MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Elk Point's annual financial report presents discussion and analysis of the City's financial performance during the fiscal year ended on December 31, 2020. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- A \$.75/hour Cost of Living raise was given to all Public Works union employees.
- The Police Department union contract was approved giving Corey Trudeau a \$1.00/hour Cost of Living Raise and all other certified officers' hourly wages were increased to \$18.20/hour and uncertified officers to \$17.00/hour per union contract.
- A 3% Cost of Living was given to the City Administrator, Public Works Director, Police Chief and Finance Officer.
- Non-union employees received a 3% cost of living raise.
- Cemetery sexton, Andrea Geary received a \$200/year salary increase for 2020.
- Derek Tuttle received a \$5,000/year salary increase for the City Administrator position.
- Erika Hammitt, Finance Officer received a 1% merit increase and Jacob Limoges, Police Chief received a 1.75% merit increase.
- City Council approved the purchase of trailer from Trail King Industries, Inc. for \$22,933.36.
- City Council approved the purchase of a 24" planer and drum from Clark Equipment, Co. for \$16,891.72
- City Council approved Pay Request #1 for \$38,189.37 and authorized Mayor McCreary to sign the settlement agreement with Burbach Aquatics, Inc.
- Council approved a \$22,000.00 expense to install sidewalk on the South side of Rose Street to Kollbaum Construction. This expense was removed from the Rose Street Project in 2019 due to the high cost.
- City Council advertised for bids and accepted the low bid for the Washington/Douglas Street Project from Slowey Construction, Inc. for \$849,685.05.
- City Council passed Resolution #2020-4, declaring necessity and expediency for issuance of a \$1,500,000.00 general obligations bonds, calling an election for a new swimming pool. An election was held on June 23, 2020 and the bond passed by 71%. The Council advertised for bids for a new swimming pool and the low bid of \$1,500,000.00 was accepted from Christiansen Construction, Co.
- Supplemental Budget Ordinance No. 408 was approved by the City Council in December 2020 thereby appropriating \$25,183.00 from the General Fund Unassigned Fund Balance, Contributions and Donations and Other State Grants for expenses for the swimming pool donation included in the total appropriations (\$23,968.00), council approved the automatic supplement of \$1,215.00 for State Grant money received for West Nile. \$4,000.00 was also supplemented for a donation received for the Community Center.
- \$6,000.00 was moved from the General Fund Expense to the Restricted account for future police reporting system.
- Council approved a transfer of \$75,000.00 from the General Fund Expense to the Restricted account for a future plow truck.
- A transfer was approved for \$12,000.00 from the General Fund to the General Fund Restricted for street resurfacing.
- \$61,000.00 was transferred from the Water Fund Expense to the Restricted account for media filters/paint and sandblast filter towers.
- Council approved a transfer of \$20,000.00 from the Sewer Fund Expense to the Restricted account for the future purchase of a new pickup.
- A transfer of \$139,000.00 from the Electric Fund Expense to Restricted account for machinery and equipment replacement.
- \$50,000.00 was moved to the Restricted Account for the purchase of a new garbage truck from the Garbage Machinery and Equipment fund.
- Council transferred \$13,968.00 from the General Fund to the Swimming Pool Improvements Other than Buildings to Reserve account for new swimming pool. Funds came from donations.
- An automatic supplement of \$30,000.00 from the contingency fund to City Hall for repairs (\$1,000), Humane Society for animals (\$1,000), Park Department for repairs (\$4,000), Planning and Zoning for property tax rebate program (\$4,000) and Swimming Pool for professional fees and services (\$20,000).

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, including related notes, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the City operates like businesses. The City has four proprietary funds – the Water Fund, Sewer Fund, Electric Fund and Garbage Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which are added together and presented in a single column in the basic financial statements.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2 Major Features of Elk Point City's Government-wide and Fund Financial Statements				
	Government-wide Statements	Governmental Funds	Fund Statements Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as finance office, police, fire and parks	Activities the City operates similar to private businesses, the water and sewer systems	Instances in which the City is the trustee or agent for someone else's resources.
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Balance Sheet *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows	* Statement of Fiduciary Net Position * Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short- term and long-term	All assets and liabilities both short-term and long-term; the City's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position – the difference between the City's assets and liabilities – is one way to measure the City's financial health or position.

- Increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the City's property tax base and changes in the sales tax revenue base.

The government-wide financial statements of the City are reported in two categories:

- **Governmental Activities** -- This category includes most of the City's basic services, such as police, swimming pool, cemetery, library, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earnings finance most of these activities.
- **Business-type Activities** -- The City charges a fee to customers to help cover the costs of certain services it provides. The City's water, sewer, electric and garbage systems are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two kinds of funds:

- **Governmental Funds** – Most of the City's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund's statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net position shows an increase of 6.33% between fiscal year 2019 and 2020 – increasing by \$933,401. (See Table A-1)

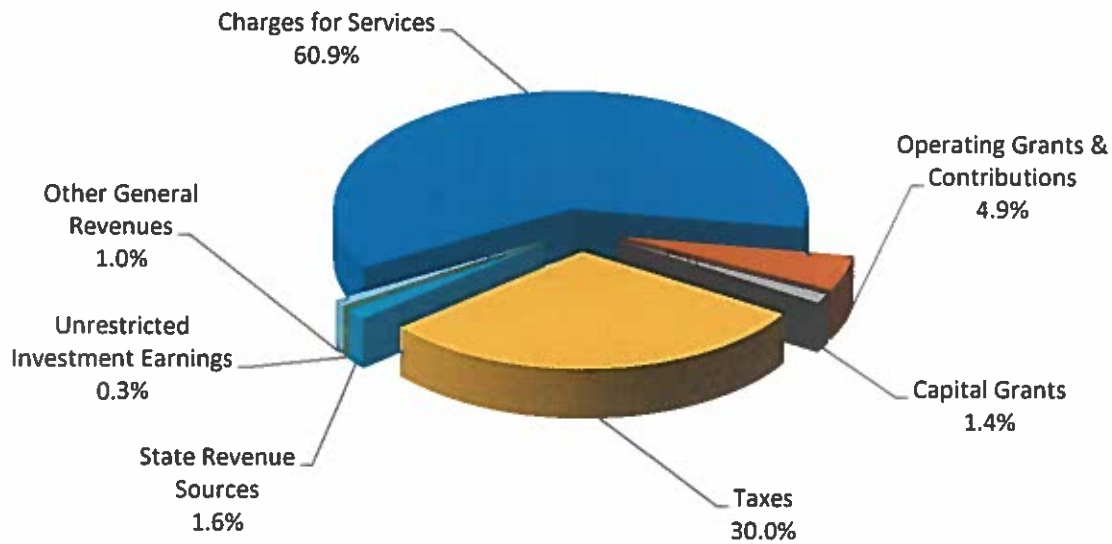
	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Current and Other Assets	\$ 1,482,590	\$ 3,614,269	\$ 2,818,338	\$ 3,751,395	\$ 4,300,928	\$ 7,365,664
Capital Assets	3,680,563	3,461,630	9,551,691	9,114,981	13,232,254	12,576,611
Total Assets	5,163,153	7,075,899	12,370,029	12,866,376	17,533,182	19,942,275
Pension Related Deferred Outflows	203,223	267,197			203,223	267,197
Long-Term Debt Outstanding	516,219	1,963,434	2,293,045	2,182,628	2,809,264	4,146,062
Other Liabilities	27,506	48,910	116,652	78,875	144,158	127,785
Total Liabilities	543,725	2,012,344	2,409,697	2,261,503	2,953,422	4,273,847
Deferred Gain on Refunding			13,750	6,875	13,750	6,875
Deferred Inflows of Resources	93,812	244,546			93,812	244,546
Total Deferred Inflows	93,812	244,546	13,750	6,875	107,562	251,421
Net Position:						
Net Investment in Capital Assets	3,190,950	1,535,024	7,278,895	6,953,740	10,469,845	8,488,764
Restricted	298,674	267,628	367,250	662,015	665,924	929,643
Unrestricted	1,239,215	3,283,555	2,300,437	2,982,243	3,539,652	6,265,798
Total Net Position	\$ 4,728,839	\$ 5,086,207	\$ 9,946,582	\$ 10,597,998	\$ 14,675,421	\$ 15,684,205
Increase (Decrease) in Net Position	133,589	337,528	396,535	595,873	530,124	933,401
Beginning Net Position	4,595,250	4,728,839	9,550,047	9,946,582	14,145,297	14,675,421
Prior Period Adjustment		19,840		55,543		75,383
Adjusted Beginning Net Position	4,595,250	4,748,679	9,550,047	10,002,125	14,145,297	14,750,804
Ending Net Position	\$ 4,728,839	\$ 5,086,207	\$ 9,946,582	\$ 10,597,998	\$ 14,675,421	\$ 15,684,205
Percentage of Increase						
(Decrease) in Net Position	2.91%	7.11%	4.15%	5.96%	3.75%	6.33%

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the city, consisting of compensated absences payable, sales tax revenue bonds payable and water and wastewater revenue bonds payable, have been reported in this manner on the Statement of Net Position. The difference between the city's assets and liabilities is its net position.

Changes in Net Position

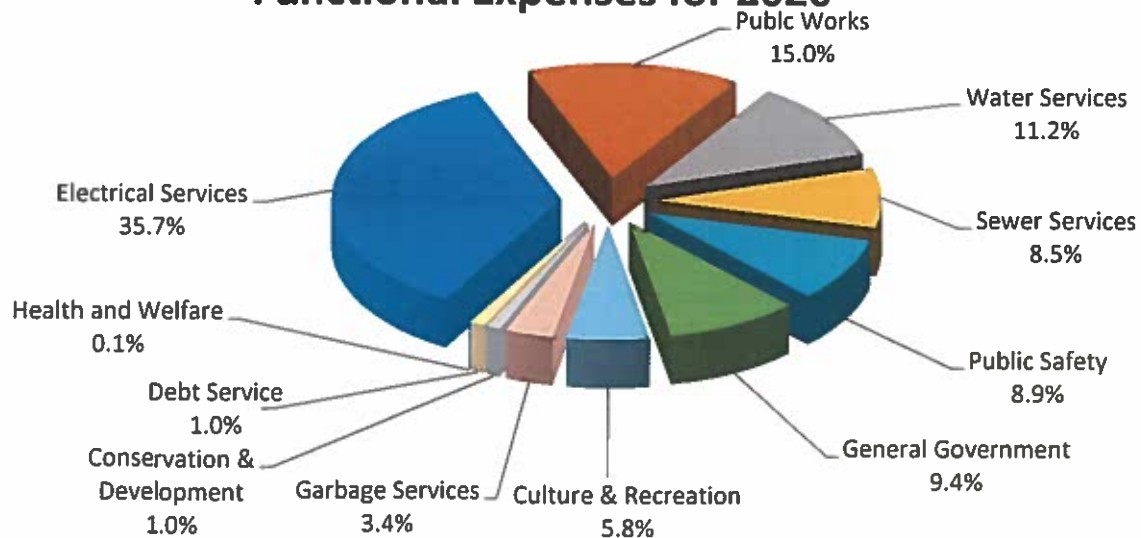
The City's total revenues totaled \$5,393,395 (See Table A-2.) About 91% of the City's revenue comes from charges for services and taxes; with 61 cents of every dollar raised coming from charges for services (primarily water, sewer, electric and garbage operations) and 30 cents of every dollar raised comes from some type of tax. (See Figure A-3). The 2020 remaining revenues came from capital and operating grants and contributions, state revenue sources, investments earnings and other miscellaneous sources.

**Figure A-3
City of Elk Point
Sources of Revenues for 2020**



The City's expenses cover a range of services, with 83% related to public safety and public work services (street maintenance, water, sewer, electrical and garbage services). (See Figure A-4)

**Figure A-4
City of Elk Point
Functional Expenses for 2020**



Governmental Activities

Table A-2 and the narrative that follows consider the operations of the governmental activities.

Total governmental revenues for the City increased by \$333,706 or 18%. Tax revenues increased \$109,670. The City received \$181,854 more in grant money from 2019 to 2020 making the difference in revenue from the two years. Total expenses in the Governmental Activities increased slightly \$129,767.00 or 8%.

**City of Elk Point
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Revenues						
Program Revenues						
Charges for Services	\$ 53,309	\$ 67,274	\$ 3,086,957	\$ 3,214,237	\$ 3,140,266	\$ 3,281,511
Operating Grants and Contributions	80,239	262,093	500		80,739	262,093
Capital Grants and Contributions	15,407	76,706			15,407	76,706
General Revenues						
Taxes	1,507,633	1,617,303			1,507,633	1,617,303
Revenue State Sources	123,161	85,396			123,161	85,396
Other General Revenue	41,757	53,406			41,757	53,406
Unrestricted Investment Earnings	16,543	9,577	5,730	7,403	22,273	16,980
Total Revenues	1,838,049	2,171,755	3,093,187	3,221,640	4,931,236	5,393,395
Expenses						
General Government	412,785	418,292			412,785	418,292
Public Safety	358,087	398,239			358,087	398,239
Public Works	610,171	669,935			610,171	669,935
Health and Welfare	3,507	4,894			3,507	4,894
Culture and Recreation	255,894	257,071			255,894	257,071
Conservation and Development	36,092	42,375			36,092	42,375
Debt Services	27,924	43,421			27,924	43,421
Water Services			465,704	500,422	465,704	500,422
Sewer Services			446,938	379,021	446,938	379,021
Electric Services			1,634,047	1,595,641	1,634,047	1,595,641
Garbage Services			157,675	150,683	157,675	150,683
Total Expenses	1,704,460	1,834,227	2,704,364	2,625,767	4,408,824	4,459,994
Excess (Deficiency) Before Special Items and Transfers	133,589	337,528	388,823	595,873	522,412	933,401
Gain/Loss on Capital Assets			7,712		7,712	
Increase (Decrease) in Net Position	133,589	337,528	396,535	595,873	530,124	933,401
Net Position-Beginning	4,595,250	4,728,839	9,550,047	9,946,582	14,145,297	14,675,421
Prior Period Adjustment		19,840		55,543		75,383
Net Position-Adjusted Beginning	4,595,250	4,748,679	9,550,047	10,002,125	14,145,297	14,750,804
NET POSITION - ENDING	\$ 4,728,839	\$ 5,086,207	\$ 9,946,582	\$ 10,597,998	\$ 14,675,421	\$ 15,684,205

Business-type Activities

Operating revenues of the City's business-type activities increased \$128,453.00 or 4%.

Expenses in the City's business type activities decreased 2.9% from \$2,704,364 to \$2,625,767.

Factors contributing to these results included:

- Operating revenues increased mainly due to an increase of 128,453.00 in charges for services received in 2019 compared to 2020.
- The expenditures in Business Type Activities expenses increased 2.9% by \$78,597.00 due to less spending in all funds other than the water fund.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The financial analysis of the City's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The City maintains three major governmental funds

– General, UDAG Fund and liquor, lodging, and dining sales tax fund, two trust and agency funds, Housing and Redevelopment and East River loan program and four business type funds – Water, Sewer, Electric and Garbage Funds.

General Fund Budgetary Highlights

Over the course of the year, the City Council may revise the City budget several times. These amendments fall into two categories:

Supplemental appropriations approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens.

Increases in appropriations, by contingency transfers, to prevent budget overruns.

Ordinance No. 408, An Ordinance Providing for the Supplemental Appropriations for the City of Elk Point, South Dakota during the Fiscal Year 2020 was approved by the City Council in December 2020. A grant was received for West Nile for \$1,215.00 to purchase chemicals Swimming pool donations for \$13,968 were received and the City also used \$10,000 of undesignated fund balance to pay for professional fees and services for the swimming pool. \$4,000.00 was also supplemented for a donation received for the Community Center. The total amount supplemented was \$29,183.

Council approved an automatic supplement of \$30,000.00 from the contingency fund to City Hall for repairs (\$1,000), Humane Society for animals (\$1,000), Park Department for repairs (\$4,000), Planning and Zoning for property tax rebate program (\$4,000) and Swimming Pool for professional fees and services (\$20,000).

City Council passed Resolution #2020-4, declaring necessity and expediency for issuance of a \$1,500,000.00 general obligations bonds, calling an election for a new swimming pool. An election was held on June 23, 2020 and the bond passed by 71%. The Council advertised for bids for a new swimming pool and the low bid of \$1,500,000.00 was accepted from Christiansen Construction, Co.

\$6,000.00 was moved from the General Fund Expense to the Restricted account for future police reporting system.

Council approved a transfer of \$75,000.00 from the General Fund Expense to the Restricted account for a future plow truck.

A \$12,000.00 transfer was approved from the General Fund to the General Fund Restricted for street resurfacing.

Council transferred \$13,968.00 from the General Fund to the Swimming Pool Improvements Other Than Buildings to Reserve account for new swimming pool. Funds were received from donations.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact Elk Point's Finance Office, 106 W. Pleasant Street, PO Box 280, Elk Point, SD 57025.

CAPITAL ASSET ADMINISTRATION

At the end of 2020, the City had invested (net of depreciation) \$12,576,611 in a broad range of capital assets, including buildings, infrastructure and various machinery and equipment. (See Table A-3 below.) This amount represents a net decrease (including additions and deductions) of \$675,484.00 or 5.10 percent, over the last year.

TABLE A-3
CITY OF ELK POINT
CAPITAL ASSETS (NET OF DEPRECIATION)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total Percentage Change
	2019	2020	2019	2020	2019-2020	2019-2020
Land	\$ 33,336	\$ 33,336	\$ 153,487	\$ 153,487	\$	0.00%
Construction Work in Progress	354,635	108,449	913,677		(1,159,863)	100.00%
Buildings	668,801	623,431	17,188	13,868	(48,690)	-7.10%
Improvements other than Buildin	2,140,765	2,271,662	7,525,675	8,075,273	680,495	7.04%
Machinery and Equipment	477,846	401,887	941,666	872,353	(145,272)	-10.23%
Library Books	25,019	22,865			(2,154)	-8.61%
Total Capital Assets	<u>\$ 3,700,402</u>	<u>\$ 3,461,630</u>	<u>\$9,551,693</u>	<u>\$9,114,981</u>	<u>\$ (675,484)</u>	<u>-5.10%</u>

This year's major capital asset additions included:

- The City Council approved a final payment to RP&H, Inc. for completing the Rose Street Reconstruction Project for \$29,092.67.
- Council also approved a purchase of a 24" planer and drum for \$16,892 from Clark Equipment Co.
- City Council approved the purchase of a trench shoring device from Trench Plate Rental, Co. for \$10,728.00.
- Council approved a new Grasshopper mower from Ace Engine & Parts Distribution for \$23,400.
- City Council approved the purchase of a new trailer from Trail King Industries, Inc. for \$22,933.

Highlights of the 2021 budget include:

- The city has budgeted \$56,256 in the street fund, \$488,837 in the water fund and \$590,484 in the sewer fund for professional fees and services and reconstruction of Washington and Douglas Streets.
- The Police Department has \$5,000 budgeted to replace Glocks and \$6,000 for an additional radar system.
- The Police Department budget also includes \$55,000 for the purchase of a new vehicle. The vehicle will be purchased off state bid.
- The city included \$50,000 in street repairs budget. This will be used to asphalt and chip seal and crack repair on city streets.
- The Street Department Budget includes \$30,000 to convert the old garbage truck into a dump truck and \$160,000 for a new plow truck.
- City Council passed Resolution #2020-4, declaring necessity and expediency for issuance of a \$1,500,000.00 general obligations bonds, calling an election for a new swimming pool. An election was held on June 23, 2020 and the bond passed by 71%. The Council advertised for bids for a new swimming pool and the low bid of \$1,500,000.00 was accepted from Christiansen Construction, Co. and will be constructed in 2021.
- Council set aside \$36,000 to asphalt the park road.
- The Park Department also budgeted \$23,000 for a new mower to replace the Hustler mower.
- \$72,000 was budgeted in the Water Department to replace the media filters in the water treatment facility.
- Other money budgeted in the Water Department is \$54,909 for water tower maintenance program, \$50,000 to sandblast and paint filter towers and \$10,820 for a new control panel for the water treatment facility.
- \$40,000 was budgeted in the Sewer Department for a new pickup.
- City Council budgeted \$186,000 in the Electric Department for a new bucket truck.
- In the Garbage Department \$191,400 was budgeted to purchase a new garbage truck to replace and surplus the old one.

- \$164,000 was set aside in the restricted account for the future purchase of a replacement equipment and improvements in the General Fund.
- A total of \$80,000 was set in reserve accounts in the Water Department and Electric Departments. Both setting \$40,000 aside.
- The Electric Department has included \$15,000 in the budget for new street lights, \$50,000 for transformers, \$30,000 for wire, \$5,000 for meter sockets and \$20,000 for poles.
- The city intends to continue the Water Valve Replacement and Fire Hydrant Replacement Program in 2021. The water fund budget includes \$10,000 to purchase and install additional valves.
- Other money set aside for future purchases in \$81,000 for improvements in the Sewer Fund. \$90,000 was set aside in the Electric Fund to purchase a new boring machine.
- There will be a rate increase in the Garbage, Sewer and Water Funds.

LONG-TERM DEBT

The City shows an increase of 47.59% in Outstanding Obligations at the end of 2020.

**TABLE A-4
CITY OF ELK POINT
OUTSTANDING DEBT AND OBLIGATIONS**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Dollar Change</u>	<u>Total Percentage Change</u>
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019-2020</u>	<u>2019-2020</u>
Compensated Absences	\$ 26,607	\$ 36,829	\$ 20,247	\$ 21,387	\$ 11,362	24.25%
State Revolving Fund Loan			2,012,797	1,981,241	(31,556)	-1.57%
Notes/Leases Payable	489,612	426,605			(63,007)	-12.87%
Certificates of Participation			260,000	180,000	(80,000)	-30.77%
GO Bonds Payable		1,500,000			1,500,000	100.00%
Total Long-Term Liabilities	\$ 516,219	\$ 1,963,434	\$ 2,293,044	\$ 2,182,628	\$ (163,201)	47.59%
Net Increase (Decrease)		280.35%		-4.82%		

The City is liable for the accrued vacation leave payable to all full-time employees who have been employed for more than one year. There is an increased amount of leave totaling \$58,216 outstanding at the end of the 2020.

The City has outstanding \$77,834 in Sewer System Revenue Bonds; Series 2002 that were used to finance the sewer improvements on the Pearl Street Project and the balance not used on Pearl Street was used for work on the West Side Lift Station Project. These bonds are secured and paid from the Sewer Fund. Final payment on April, 2023

The City has outstanding \$33,056 in Water System Revenue Bonds, Series 2002 that were used to finance the water improvements on the Pearl Street Project. These bonds are secured and paid from the Water Fund. Final payment is in January, 2023.

The City has outstanding \$426,605 in Equipment Leases and Notes Payable. These leases/notes are paid from the General Government and Business Type Funds depending on the equipment.

The City has outstanding \$180,000 in Refunding Certificates of Participation, Series 2006. These certificates are secured and paid from the Electric Fund. They were purchased to finance the electrical conversion project. Final payment is in January, 2023.

The City has outstanding \$203,411 State Revolving Loans, Series 2004 used to finance the upgrade to the Water Treatment Plant and the West Side Lift Station and Water Improvement Project. Final payment scheduled for July, 2026.

Also outstanding is \$53,917 of Drinking Water State Revolving Fund Loans, Series 2006 for materials purchased for the West side Lift Station and Water Improvement Project. These bonds are paid from the Water Fund revenues. Final payment scheduled for August, 2026.

The City has outstanding \$47,106 of Clean Water State Revolving Fund Loans, Series 2006, for the West Side Lift Station and Water Improvement Project. These bonds are paid from the Sewer Fund. Final payment is in July, 2028.

The City has outstanding \$79,541 of Clean Water State Revolving Fund Loans, Series 2008, for the Clay and Washington Street reconstruction. These bonds are paid from the Sewer Fund. Final payment due in January 2030.

Also outstanding is \$276,766 of Drinking Water State Revolving Fund Loans, Series 2008, for the Clay and Washington Street reconstruction. These bonds are also paid from the Sewer Fund. Final payment due in January 2030.

The City has outstanding \$205,763 of Water System Revolving Fund Loans, Series 2009, for the Main Street Reconstruction Project. These bonds are secured and paid from a Water Surcharge implemented for this Project. Final payment due July, 2031.

The City has outstanding \$313,000 of Wastewater System Revolving Fund Loans, Series 2009, for the Main Street Reconstruction Project. These bonds are secured and paid from a Sewer Surcharge implements for this Project. Final payment due in July 2031.

The City has outstanding \$558,391 of Water System Revolving Fund Loans, Series 2020, for the Rose Street Reconstruction Project. These bonds are secured and paid from the Water Fund. Final payment due May 2050.

The City has outstanding \$131,799 of Wastewater System Revolving Fund Loans, Series 2020, for the Rose Street Reconstruction Project. These bonds are also paid from the Sewer Fund. Final payment due in November 2050.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City experienced an increase in total property valuation of \$8,339,002 (an increase due to additions and improvements or changes in use). The adjusted property value for 2020 was \$114,322,918. The City Council voted to increase the property tax request for 2021. The 2021 mill levy decreased from 7.701 from 7.673.

A tax implemented in 2009 is the Gross Receipts Tax (Bed, Board and Booze). Revenues in 2019 totaled \$33,208.82, a large decrease of \$8,821.91 with 2020 revenues totaling \$24,386.91. These dollars have been allocated for a new community center.

The City's adopted 2021 General Fund expense budget increased by \$1,099,625 to \$3,287,570. In the Enterprise Funds the total expenditure budgets increased by \$743,680.

The City's business-type activities (water, sewer, electric and garbage operations) expect that the results for 2021 will improve slightly due to growth and a rate increase. When approving the 2021 budget the City Council did adopt a rate increase in the garbage, water and sewer funds. In the Garbage Fund, Residential increased \$1.40/month, small business increased \$1.15/month, 1-2-yard dumpster increased \$4.42/month, 3-5-yard dumpsters increased \$8.13/month, 6-9-yard dumpsters increased \$14.51/month and multi-family garbage increased \$1.25/month. In the Water Fund and Sewer Fund both the minimum charge and usage charge were increased.

Below are the current Water and Sewer Surcharge amounts.

- The Water and Sewer Surcharges implemented to repay the debt incurred for the Main Street Reconstruction Project were recalculated after project completion and a principal prepayment was made. Effective July 1, 2015, the Water Fund surcharge was increased slightly from \$2.26 to \$2.41 and the Sewer Fund Surcharge was increased from \$3.68 to \$3.99. There was no change to the surcharge amounts in 2016 through 2021. The surcharges will be reviewed on an annual basis and may be adjusted as necessary to repay the Drinking Water and Clean Water State Revolving Fund Bonds and maintain the required 110% debt requirement of the SD DENR.

**CITY OF ELK POINT
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	Primary Government			Unaudited
	Governmental	Business-Type	Total	Component
	Activities	Activities		Unit
ASSETS:				
Cash and Cash Equivalents	\$ 3,399,911.07	\$ 2,197,188.74	\$ 5,597,099.81	\$ 68,183.78
Investments-Certificates of Deposit		386,984.31	386,984.31	
Taxes Receivable	6,732.96		6,732.96	
Accounts Receivable, Net	38,559.51	401,076.36	439,635.87	
Due From Government	12,419.75		12,419.75	
Special Assessments	10,784.16		10,784.16	
Inventories	6,367.89	163,830.52	170,198.41	
Loans Receivable	137,630.06		137,630.06	
Prepaid Expenses	81.34		81.34	
Net Pension Asset	1,783.50		1,783.50	
Restricted Assets:				
Cash and Cash Equivalents		302,973.87	302,973.87	
Investments-Certificates of Deposit		299,340.62	299,340.62	
Capital Assets:				
Land, Improvements and				
Construction/Development in Progress	141,784.50	153,486.74	295,271.24	
Other Capital Assets,				
Net of Depreciation/Amortization	3,319,844.65	8,961,494.40	12,281,339.05	
TOTAL ASSETS	7,075,899.39	12,866,375.56	19,942,274.95	68,183.78
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows	267,197.16		267,197.16	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	267,197.16		267,197.16	
LIABILITIES :				
Accounts Payable	24,228.70	19,969.12	44,197.82	
Accrued Wages Payable	12,513.10	4,873.27	17,386.37	
Accrued Taxes Payable	12,168.04	12,058.42	24,226.46	
Customer Deposits		41,973.87	41,973.87	
Noncurrent Liabilities:				
Due Within One Year	165,510.00	290,200.00	455,710.00	
Due in More than One Year	1,797,923.96	1,892,428.15	3,690,352.11	
TOTAL LIABILITIES	2,012,343.80	2,261,502.83	4,273,846.63	
DEFERRED INFLOWS OF RESOURCES:				
Deferred Gain on Refunding		6,875.00	6,875.00	
Pension Related Deferred Inflows	244,546.11		244,546.11	
TOTAL DEFERRED INFLOWS OF RESOURCES	244,546.11	6,875.00	251,421.11	
NET POSITION:				
Net Investment in Capital Assets	1,535,024.24	6,953,739.84	8,488,764.08	
Restricted for:				
UDAG	158,743.84		158,743.84	
Liquor, Lodging, & Sales Tax	73,163.53		73,163.53	
Debt Service		160,340.62	160,340.62	
Other Purposes	11,285.07	400,000.00	411,285.07	
SDRS Pension Purposes	24,434.55		24,434.55	
Unrestricted	3,283,555.41	3,083,917.27	6,367,472.68	68,183.78
TOTAL NET POSITION	\$ 5,086,206.64	\$ 10,597,997.73	\$ 15,684,204.37	\$ 68,183.78

The attached notes are an integral part of these financial statements.

**CITY OF ELK POINT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Unaudited Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 418,292.19	\$ 5,493.38	\$	\$	\$ (412,798.81)	\$	\$ (412,798.81)	\$
Public Safety	398,239.20	1,124.61			(397,114.59)		(397,114.59)	
Public Works	669,934.96	32,295.63	262,093.36		(375,545.97)		(375,545.97)	
Health and Welfare	4,894.42	330.00			(4,564.42)		(4,564.42)	
Culture & Recreation	257,071.40	19,391.49			(237,679.91)		(237,679.91)	
Conservation & Development	42,375.12				(42,375.12)		(42,375.12)	
Miscellaneous		8,639.00		76,705.80	85,344.80		85,344.80	
*Interest on Long-term Debt	43,420.50				(43,420.50)		(43,420.50)	
Total Governmental Activities	1,834,227.79	67,274.11	262,093.36	76,705.80	(1,428,154.52)		(1,428,154.52)	
Business-type Activities:								
Water	500,422.03	547,116.55				46,694.52	46,694.52	
Sewer	379,021.25	367,469.83				(11,551.42)	(11,551.42)	
Electric	1,595,640.73	2,072,619.48				476,978.75	476,978.75	
Garbage	150,682.75	227,031.13				76,348.38	76,348.38	
Total Business-type Activities	2,625,766.76	3,214,236.99				588,470.23	588,470.23	
Total Primary Government	\$ 4,459,994.55	\$ 3,281,511.10	\$ 262,093.36	\$ 76,705.80	(1,428,154.52)	588,470.23	(839,684.29)	
Component Unit: Housing and Redevelopment								
	\$ 35,527.20	\$ 61,407.54						\$ 25,880.34

*The Municipality does not have interest expense related to the functions presented above.
This amount includes indirect interest expense on general long-term debt.

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Unaudited Component Unit
	Governmental Activities	Business-Type Activities	Total	
Total Primary Government	(1,428,154.52)	588,470.23	(839,684.29)	
General Revenues:				
Taxes:				
Property Taxes	880,584.00		880,584.00	
Sales and Use Taxes	712,142.50		712,142.50	
Business Taxes	24,408.47		24,408.47	
Amusement Taxes	168.00		168.00	
State Shared Revenues	85,395.67		85,395.67	
Unrestricted Investment Earnings	9,577.56	7,403.04	16,980.60	
Miscellaneous Revenue	53,405.77		53,405.77	
Total General Revenues	<u>1,765,681.97</u>	<u>7,403.04</u>	<u>1,773,085.01</u>	
Change in Net Position	<u>337,527.45</u>	<u>595,873.27</u>	<u>933,400.72</u>	25,880.34
Net Position-Beginning	4,728,839.19	9,946,581.92	14,675,421.11	46,660.98
Prior Period Adjustment	<u>19,840.00</u>	<u>55,542.54</u>	<u>75,382.54</u>	<u>(4,357.54)</u>
Adjusted Net Position - Beginning	<u>4,748,679.19</u>	<u>10,002,124.46</u>	<u>14,750,803.65</u>	<u>42,303.44</u>
NET POSITION - ENDING	<u>\$ 5,086,206.64</u>	<u>\$ 10,597,997.73</u>	<u>\$ 15,684,204.37</u>	<u>\$ 68,183.78</u>

The attached notes are an integral part of these financial statements.

CITY OF ELK POINT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	Major Funds			Nonmajor		Total
	General Fund	UDAG Fund	Liquor/Lodging Dining Sales Tax Fund	Other Governmental Funds	Governmental Funds	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:						
Assets						
Cash and Cash Equivalents	\$ 3,295,015.19	\$ 21,113.78	\$ 72,497.03	\$ 11,285.07	\$ 3,399,911.07	
Taxes Receivable--Current	6,732.96				6,732.96	
Accounts Receivable, Net	38,559.51				38,559.51	
Special Assessments Receivable--Current	3,442.53				3,442.53	
Special Assessments Receivable--Deferred	7,341.63				7,341.63	
Loans Receivable		137,630.06			137,630.06	
Due From Government	11,753.25		666.50		12,419.75	
Inventory of Supplies	6,367.89				6,367.89	
Prepaid Expenses	81.34				81.34	
Total Assets	<u>3,369,294.30</u>	<u>158,743.84</u>	<u>73,163.53</u>	<u>11,285.07</u>	<u>3,612,486.74</u>	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:						
Liabilities:						
Accounts Payable	24,228.70				24,228.70	
Accrued Wages Payable	12,513.10				12,513.10	
Accrued Taxes Payable	12,168.04				12,168.04	
Total Liabilities	<u>48,909.84</u>				<u>48,909.84</u>	
Deferred Inflows of Resources:						
Unavailable Revenue - Property Taxes	6,732.96				6,732.96	
Unavailable Revenue - Special Assessments	10,784.16				10,784.16	
Total Deferred Inflows of Resources	<u>17,517.12</u>				<u>17,517.12</u>	
Fund Balances:						
Nonspendable	6,449.23				6,449.23	
Restricted		158,743.84	73,163.53	11,285.07	243,192.44	
Assigned	325,241.50				325,241.50	
Unassigned	2,971,176.61				2,971,176.61	
Total Fund Balances	<u>3,302,867.34</u>	<u>158,743.84</u>	<u>73,163.53</u>	<u>11,285.07</u>	<u>3,546,059.78</u>	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,369,294.30	\$ 158,743.84	\$ 73,163.53	\$ 11,285.07	\$ 3,612,486.74	

The attached notes are an integral part of these financial statements.

**CITY OF ELK POINT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020**

Total Fund Balances - Governmental Funds	\$ 3,546,059.78
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,461,629.15
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Accrued Leave	\$ (36,829.05)	
Lease Payable	(426,604.91)	
Capital Assets	(1,500,000.00)	(1,963,433.96)

Assets, such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred), are not available to pay for current period expenditures and therefore are deferred in the funds.

Property Taxes	6,732.96	
Special Assessments	10,784.16	17,517.12

Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	1,783.50
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Pension related deferred outflows are components of net pension and therefore are not reported in the funds.	267,197.16
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Pension related deferred inflows are components of net pension and therefore are not reported in the funds	(244,546.11)
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Net Position - Governmental Funds	\$ 5,086,206.64
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The attached notes are an integral part of these financial statements.

CITY OF ELK POINT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Major Funds			Nonmajor		Total
	General Fund	UDAG Fund	Liquor/Lodging Dining Sales Tax Fund	Other Governmental Funds	Governmental Funds	
Revenues:						
Taxes:						
General Property Taxes	\$ 879,359.13	\$	\$		\$	\$ 879,359.13
General Sales and Use Taxes	712,142.50					712,142.50
Utility Taxes			24,408.47			24,408.47
Amusement Taxes	168.00					168.00
Licenses and Permits	8,639.00					8,639.00
Video and Lottery	1,450.00					1,450.00
Intergovernmental Revenue:						
Federal Grants	260,878.36					260,878.36
State Grants	1,215.00					1,215.00
State Shared Revenue	13,587.40					13,587.40
Bank Franchise Tax	12,171.40					12,171.40
Motor Vehicle Licenses (5%)	26,967.18					26,967.18
Local Government Highway and Bridge Fund						
Other	15,714.06					15,714.06
County Shared Revenue:	16,955.63					16,955.63
County Wheel Tax	7,249.87					7,249.87
Charges for Goods and Services:						
General Government	5,493.38					5,493.38
Public Safety	154.10					154.10
Health	330.00					330.00
Culture and Recreation	19,391.49					19,391.49
Fines and Forfeits:						
Court Fines and Costs	970.51					970.51

Miscellaneous Revenue:					
Investment Earnings	9,537.02	22.73	17.81	9,577.56	
Rental	5,400.00			5,400.00	
Special Assessments	13,175.18	4,955.73		18,130.91	
Cemetery	10,000.00			10,000.00	
Contributions and Donations	14,011.00	58,066.77	4,628.03	76,705.80	
Other	33,834.90			33,834.90	
Total Revenue	<u>2,068,795.11</u>	<u>4,978.46</u>	<u>4,645.84</u>	<u>2,160,894.65</u>	
Expenditures:					
General Government:					
Legislative	300,311.75			300,311.75	
City Hall	25,760.48			25,760.48	
Total General Government	<u>326,072.23</u>			<u>326,072.23</u>	
Public Safety:					
Police	367,508.49			367,508.49	
Other Protection	5,995.75			5,995.75	
Total Public Safety	<u>373,504.24</u>			<u>373,504.24</u>	
Public Works:					
Highways and Streets	334,215.04			334,215.04	
Cemeteries	19,642.28			19,642.28	
Total Public Works	<u>353,857.32</u>			<u>353,857.32</u>	
Health and Welfare:					
Health	3,834.42			3,834.42	
Humane Society	1,060.00			1,060.00	
Total Health and Welfare	<u>4,894.42</u>			<u>4,894.42</u>	
Culture and Recreation:					
Recreation	106,591.94			106,591.94	
Parks	43,827.50			43,827.50	
Libraries	9,806.94		2,839.64	12,646.58	
Museums	1,750.00			1,750.00	
Total Culture and Recreation	<u>161,976.38</u>		<u>2,839.64</u>	<u>164,816.02</u>	

CITY OF ELK POINT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020
(continued)

	Major Funds			Nonmajor	
	General Fund	UDAG Fund	Liquor/Lodging Dining Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Conservation and Development:					
Economic Development and Assistance(Industrial Development)	42,339.38	35.74			42,375.12
Total Conservation and Development	42,339.38	35.74			42,375.12
Debt Service	75,217.62		31,210.60		106,428.22
Capital Outlay	187,231.25				187,231.25
Total Expenditures	1,525,092.84	35.74	31,210.60	2,839.64	1,559,178.82
Excess of Revenue Over (Under) Expenditures	543,702.27	4,942.72	51,264.64	1,806.20	601,715.83
Nonoperating Revenue (Expense):					
Sale of Municipal Property	5,471.00				5,471.00
Long-Term Debt Issued	1,500,000.00				1,500,000.00
Total Nonoperating Revenue (Expense)	1,505,471.00				1,505,471.00
Change in Net Position	2,049,173.27	4,942.72	51,264.64	1,806.20	2,107,186.83
Fund Balance - Beginning	1,253,694.07	153,801.12	21,898.89	9,478.87	1,438,872.95
FUND BALANCE- ENDING	\$ 3,302,867.34	\$ 158,743.84	\$ 73,163.53	\$ 11,285.07	\$ 3,546,059.78

The attached notes are an integral part of these financial statements.

**CITY OF ELK POINT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Total Governmental Funds	\$ 2,107,186.83
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays.	(238,773.30)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Leases Payable	63,007.72
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Issuance of Long-Term Debt is recorded as a revenue in the Fund Financial Statements but is an increase in Long-Term Liabilities on the Government-wide Financial Statements.	(1,500,000.00)
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Governmental funds accruals differ from government wide statement accruals. Because some property taxes and special assessments will not be collected for several months after the city's calendar year ends, they are not considered "available".	5,389.59
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Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenses.	(10,222.31)
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Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds.	(89,061.08)
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Change in Net Position of Governmental Activities	<u>\$ 337,527.45</u>
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The attached notes are an integral part of these financial statements.

CITY OF ELK POINT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Electric Fund	Garbage Fund	
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 316,106.18	\$ 143,350.85	\$ 1,629,203.37	\$ 108,528.34	\$ 2,197,188.74
Investments-Certificates of Deposit	4,225.24	21.51	382,702.75	34.81	386,984.31
Utility Accounts Receivable, Net	29,513.11	18,513.27	96,162.80	11,210.75	155,399.93
Unbilled Accounts Receivable	33,792.54	30,548.38	159,234.27	22,101.24	245,676.43
Inventory of Supplies	25,045.44	624.77	127,483.16		153,153.37
Inventory of Stores Purchased for Resale			9,192.71	1,484.44	10,677.15
Total Current Assets	<u>408,682.51</u>	<u>193,058.78</u>	<u>2,403,979.06</u>	<u>143,359.58</u>	<u>3,149,079.93</u>
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	98,500.00	57,500.00	41,973.87	105,000.00	302,973.87
Restricted Investments			299,340.62		299,340.62
Capital Assets:					
Land	16,150.00	7,740.05	10,000.00	119,596.69	153,486.74
Buildings	203,703.04	16,083.04	56,490.00		276,276.08
Infrastructure	5,762,594.90	4,750,653.46	2,611,791.69	22,655.00	13,147,695.05
Machinery and Equipment	420,217.10	1,024,531.79	1,026,853.03	181,973.30	2,653,575.22
Less: Accumulated Depreciation	<u>(2,848,199.68)</u>	<u>(2,748,947.79)</u>	<u>(1,332,229.16)</u>	<u>(186,675.32)</u>	<u>(7,116,051.95)</u>
Total Noncurrent Assets	<u>3,652,965.36</u>	<u>3,107,560.55</u>	<u>2,714,220.05</u>	<u>242,549.67</u>	<u>9,717,295.63</u>
TOTAL ASSETS	<u>4,061,647.87</u>	<u>3,300,619.33</u>	<u>5,118,199.11</u>	<u>385,909.25</u>	<u>12,866,375.56</u>

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Electric Fund	Garbage Fund	
LIABILITIES:					
Current Liabilities:					
Accounts Payable	4,802.31	1,801.88	7,193.60	6,171.33	19,969.12
Accrued Wages Payable	1,150.74	816.34	1,921.63	984.56	4,873.27
Accrued Taxes Payable			10,867.75	1,190.67	12,058.42
Customer Deposits			41,973.87		41,973.87
Bonds Payable-current	109,172.91	74,640.24	85,000.00		268,813.15
Accrued Leave Payable-current	4,632.31	3,248.27	13,026.10	480.17	21,386.85
Total Current Liabilities	119,758.27	80,506.73	159,982.95	8,826.73	369,074.68
Noncurrent Liabilities:					
Bonds Payable	1,258,365.85	539,062.30	95,000.00		1,892,428.15
Total Noncurrent Liabilities	1,258,365.85	539,062.30	95,000.00		1,892,428.15
DEFERRED INFLOWS OF RESOURCES:					
Gain on Refunding			6,875.00		6,875.00
TOTAL DEFERRED INFLOWS OF RESOURCES			6,875.00		6,875.00
NET POSITION:					
Net Investment in Capital Assets	2,186,926.60	2,436,358.01	2,192,905.56	137,549.67	6,953,739.84
Restricted for:					
Revenue Bond Debt Service			160,340.62		160,340.62
Equipment Repair and Replacement	98,500.00	57,500.00	139,000.00	105,000.00	400,000.00
Unrestricted	398,097.15	187,192.29	2,364,094.98	134,532.85	3,083,917.27
TOTAL NET POSITION	\$ 2,683,523.75	\$ 2,681,050.30	\$ 4,856,341.16	\$ 377,082.52	\$ 10,597,997.73

The attached notes are an integral part of these financial statements.

CITY OF ELK POINT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Electric Fund	Garbage Fund	
Operating Revenue:					
Charges for Goods and Services (Revenues)	\$ 547,116.55	\$ 367,469.83	\$ 2,072,619.48	\$ 227,031.13	\$ 2,987,205.86
Securing Debt Issues)					227,031.13
Charges for Goods and Services					
Total Operating Revenue	547,116.55	367,469.83	2,072,619.48	227,031.13	3,214,236.99
Operating Expenses:					
Personal Services	91,402.07	85,946.79	154,927.22	45,804.86	378,080.94
Other Current Expense	187,822.75	110,159.34	94,621.09	102,594.47	495,197.65
Materials (Cost of Goods Sold)			1,213,617.40		1,213,617.40
Depreciation	175,511.01	161,875.89	122,887.41	2,283.42	462,557.73
Total Operating Expenses	454,735.83	357,982.02	1,586,053.12	150,682.75	2,549,453.72
Operating Income (Loss)	92,380.72	9,487.81	486,566.36	76,348.38	664,783.27
Nonoperating Revenue (Expense):					
Interest Income	2,258.35		5,144.69		7,403.04
Interest Expense and Fiscal Charges	(45,686.20)	(21,039.23)	(9,587.61)		(76,313.04)
Total Nonoperating Revenue (Expense)	(43,427.85)	(21,039.23)	(4,442.92)		(68,910.00)
Change in Net Position	48,952.87	(11,551.42)	482,123.44	76,348.38	595,873.27
Net Position - Beginning	2,634,570.88	2,692,601.72	4,318,675.18	300,734.14	9,946,581.92
Prior Period Adjustment			55,542.54		55,542.54
Adjusted Net Position - Beginning	2,634,570.88	2,692,601.72	4,374,217.72	300,734.14	10,002,124.46
NET POSITION - ENDING	\$ 2,683,523.75	\$ 2,681,050.30	\$ 4,856,341.16	\$ 377,082.52	\$10,597,997.73

**CITY OF ELK POINT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Electric Fund	Garbage Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Receipts from Customers	\$ 516,578.51	\$ 363,820.69	\$ 2,043,419.16	\$ 222,306.93	\$ 3,146,125.29
Cash Receipts from Interfund Services Provided	27,042.59	3,458.11	77,006.24	1,130.75	108,637.69
Cash Payments to Employees for Services	(90,026.79)	(85,002.24)	(153,444.19)	(45,323.28)	(373,796.50)
Cash Payments to Suppliers for Goods and Services	(175,897.50)	(109,742.37)	(1,344,676.89)	(102,258.73)	(1,732,575.49)
Net Cash Provided (Used) by Operating Activities	<u>277,696.81</u>	<u>172,534.19</u>	<u>622,304.32</u>	<u>75,855.67</u>	<u>1,148,390.99</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchase of Capital Assets	(5,364.18)		(20,483.17)		(25,847.35)
Principal Paid on Capital Debt	17,180.33	(48,735.79)	(80,000.00)		(111,555.46)
Interest Paid on Capital Debt	(45,686.20)	(21,039.23)	(16,462.61)		(83,188.04)
Net Cash (Used) by Capital and Related Financing Activities	<u>(33,870.05)</u>	<u>(69,775.02)</u>	<u>(116,945.78)</u>		<u>(220,590.85)</u>

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Electric Fund	Garbage Fund	
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Earnings	2,258.35		5,144.69		7,403.04
Net Cash Provided (Used) by Investing Activities	<u>2,258.35</u>		<u>5,144.69</u>		<u>7,403.04</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 246,085.11	\$ 102,759.17	\$ 510,503.23	\$ 75,855.67	\$ 935,203.18
Cash and Cash Equivalents at Beginning of Year	\$ 172,746.31	\$ 98,113.19	\$ 1,842,717.38	\$ 137,707.48	\$ 2,251,284.36
Cash and Cash Equivalents at End of Year	<u>418,831.42</u>	<u>200,872.36</u>	<u>2,353,220.61</u>	<u>213,563.15</u>	<u>3,186,487.54</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 246,085.11</u>	<u>\$ 102,759.17</u>	<u>\$ 510,503.23</u>	<u>\$ 75,855.67</u>	<u>\$ 935,203.18</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 92,380.72	\$ 9,487.81	\$ 486,566.36	\$ 76,348.38	\$ 664,783.27
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	175,511.01	161,875.89	122,887.41	2,283.42	462,557.73
Change in Assets and Liabilities:					
Receivables	(3,495.45)	(191.03)	58,788.01	(3,593.45)	51,508.08
Inventories	11,730.79	157.01	(5,444.87)	(261.96)	6,180.97
Accounts Payable	194.46	259.96	(35,554.12)	485.15	(34,614.55)
Accrued Wages Payable	831.69	580.40	1,256.56	476.35	3,145.00
Accrued Taxes Payable			4,560.59	112.55	4,673.14
Accrued Leave Payable	543.59	364.15	226.47	5.23	1,139.44
Customer Deposits			(10,982.09)		(10,982.09)
Net Cash Provided (Used) by Operating Activities	<u>\$ 277,696.81</u>	<u>\$ 172,534.19</u>	<u>\$ 622,304.32</u>	<u>\$ 75,855.67</u>	<u>\$ 1,148,390.99</u>

The attached notes are an integral part of these financial statements.

CITY OF ELK POINT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of the City of Elk Point consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

The Housing and Redevelopment Commission of the City of Elk Point, South Dakota (Commission) is a proprietary fund-type, discretely presented component unit. The five members of the Commission are appointed by the Mayor and hold office until their successors have been appointed and qualified. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from the Elk Point Housing and Redevelopment Commission, P.O. Box 280, Elk Point, SD 57025.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1a. above.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the City financial reporting entity are described below:

Governmental Funds:

General Fund – the General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Special Revenue Funds – special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Urban Development Action Grant Fund (UDAG) - to account for the receipt and expenditure of resources received from the Urban Development Action Grant program. This is considered a major fund by management.

Liquor, Lodging and Dining Gross Receipts Tax Fund – to account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the maintenance, staffing and operations of such facilities and the promotion and advertising of the city (SDCL 10-52A-2). This fund may be established at the direction of the governing body through local ordinance. This is considered a major fund by management.

The remaining Special Revenue Fund, the Public Library Fund, is not considered a major fund.

Proprietary Funds:

Enterprise Funds – enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principle revenue sources.

- a. *The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues*

from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)

- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.*
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).*

Water Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1) This is a major fund.

Sewer Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. (SDCL 9-48-2) This is a major fund.

Electric Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal electricity system and related facilities. This is a major fund.

Garbage Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal garbage system and related facilities. This is a major fund.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type and component unit activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental, business-type, and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the City is 30 days. The revenues which are accrued at December 31, 2020, are amounts from accounts receivable.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflows of resources are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns.

e. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Laws (SDCL) 4-5-6.

f. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. *Infrastructure assets* are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2020 balance of governmental activities capital assets includes approximately 6.16% for which the costs were determined by estimates of the original costs. The total December 31, 2020 balance of business-type capital assets includes approximately 6.54% for which the costs were determined by estimations of the original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 2004 are recorded at cost and classified as "Improvements Other than Buildings."

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

Depreciation/Amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation/Amortization, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation/amortization is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation/amortization methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and land rights	All	NA	NA
Improvements other than buildings	5,000.00	Straight Line	10-50 yrs
Buildings	5,000.00	Straight Line	50 yrs
Machinery and Equipment	4,000.00	Straight Line	2-20 yrs
Furniture	2,000.00	Straight Line	12 yrs

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide financial statements.

g. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of state revolving loans, certificates of participation, notes payable, lease liabilities, and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide financial statements.

h. Leases:

Lessee:

The City is a lessee for a noncancellable lease of a community building. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$376,000.00 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

i. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for the acquisition of capital assets for use in a particular program.

j. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred inflows and deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

k. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses, and Changes in Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

l. Cash and Cash Equivalents:

The City pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

m. Equity Classifications:

Government-wide Statements:

Equity is classified as Net Position and is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between “Nonspendable”, “Restricted”, “Committed”, “Assigned” and “Unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements.

n. Application of Net Position:

It is the City’s policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

o. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the City Council
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The City uses *restricted /committed* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use *committed, then assigned, and lastly unassigned amounts* of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

A schedule of fund balances is provided as follows:

**CITY OF ELK POINT
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS**

	<u>General Fund</u>	<u>UDAG Fund</u>	<u>Liquor, Lodging, & Dining Fund</u>	<u>Other Non- Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:					
<i>Nonspendable:</i>					
Inventory	\$ 6,367.89	\$	\$	\$	\$ 6,367.89
Prepaid Expenses	81.34				81.34
<i>Restricted for:</i>					
Revolving Loans		158,743.84			158,743.84
Liquor/Lodging/Dining Sales			73,163.53		73,163.53
Library				11,285.07	11,285.07
<i>Assigned to:</i>					
Projects and Equipment	325,241.50				325,241.50
Next Year's Budget					
<i>Unassigned</i>	<u>2,971,176.61</u>				<u>2,971,176.61</u>
Total Fund Balances	<u><u>\$ 3,302,867.34</u></u>	<u><u>\$ 158,743.84</u></u>	<u><u>\$ 73,163.53</u></u>	<u><u>\$ 11,285.07</u></u>	<u><u>\$ 3,546,059.78</u></u>

p. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. School District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

NOTE 2 – IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2020, the Municipality implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. This statement improves accounting and financial reporting for leases; enhances the comparability of financial statements between governments; and also enhances the relevance, reliability, and consistency of information about the leasing activities of governments.

NOTE 3 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which

may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In General, SDCL 4-5-6 permits City funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk – State law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices.

As of December 31, 2020, the City had the following investments:

	<u>Credit Rating</u>	<u>Fair Value</u>
External Investment Pools:		
SDFIT- Government Cash Reserves	Unrated	\$ 584,878.71
TOTAL INVESTMENTS		<u><u>\$ 584,878.71</u></u>

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine-member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Custodial Credit Risk—Deposits—The risk that, in the event of a depository failure, the Municipality's deposits may not be returned to it. The Municipality does not have a deposit policy for custodial credit risk. As of December 31, 2020, the Municipality did not have any deposits in financial institutions that were exposed to custodial credit risk.

Concentration of Credit Risk – The City places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from deposits and investments to the fund making the investment.

NOTE 4 - RESTRICTED CASH AND INVESTMENTS:

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

Purpose	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Garbage Fund</u>
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
For Capital Asset Construction	\$ 98,500.00	\$ 57,500.00	\$ 139,000.00	\$ 105,000.00
For Customer Deposits			41,973.87	
For Debt Service, By Debt Covenants			160,340.62	
	<u>\$ 98,500.00</u>	<u>\$ 57,500.00</u>	<u>\$ 341,314.49</u>	<u>\$ 105,000.00</u>

NOTE 5 - RECEIVABLES AND PAYABLES:

Receivables and payables are not aggregated in the financial statements. The City expects all receivables to be collected within one year.

NOTE 6 - INVENTORY:

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Inventory acquired for resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to an expense as it is consumed. Inventories held for resale are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

Government-wide Financial Statements:

In the government-wide financial statements and proprietary funds financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, inventory is recorded as an asset at the time of purchase and charged to an expense as it is consumed. Material supply inventories are offset by a nonspendable fund balance, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

NOTE 7 - PROPERTY TAXES:

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

NOTE 8 - CHANGES IN GENERAL CAPITAL ASSETS:

A summary of changes in capital assets for the year ended December 31, 2020 is as follows:

	Balance 01/01/20	Increases	Decreases	Balance 12/31/20
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 33,336.00	\$	\$	\$ 33,336.00
Construction Work in Process	354,634.87	120,286.17	(366,472.54)	108,448.50
Total Capital Assets, not being Depreciated	387,970.87	120,286.17	(366,472.54)	141,784.50
Capital Assets, being depreciated:				
Buildings	1,173,209.01			1,173,209.01
Improvements Other than Buildings	5,490,646.56	366,472.54		5,857,119.10
Machinery and Equipment	1,523,938.46	63,225.08	(7,450.00)	1,579,713.54
Library Books	99,688.16	3,720.00	(4,819.00)	98,589.16
Total being depreciated	8,287,482.19	433,417.62	(12,269.00)	8,708,630.81
Less Accumulated Depreciation for:				
Buildings	504,407.50	45,370.50		549,778.00
Improvements Other than Buildings	3,349,882.29	235,574.82		3,585,457.11
Machinery and Equipment	1,046,092.12	139,185.09	(7,450.00)	1,177,827.21
Library Books	74,668.70	5,874.14	(4,819.00)	75,723.84
Total accumulated depreciation	4,975,050.61	426,004.55	(12,269.00)	5,388,786.16
Total Governmental Activities Capital Assets, Being Depreciated, Net	3,312,431.58	7,413.07		3,319,844.65
Governmental Activities Capital Assets, Net	\$ 3,700,402.45	\$ 127,699.24	\$ (366,472.54)	\$ 3,461,629.15
Depreciation Expense was charged to functions as follows:				
General Government			\$	3,158.88
Public Safety				24,734.96
Public Works				305,855.33
Culture and Recreation				92,255.38
Total Depreciation Expense - Governmental Activities			\$	426,004.55
Business - Type Activities:				
Capital Assets, not being depreciated:				
Land	\$ 153,486.74	\$	\$	\$ 153,486.74
Construction Work in Progress	913,677.35		(913,677.35)	
Total Capital Assets, not being depreciated	1,067,164.09		(913,677.35)	153,486.74
Capital Assets, being depreciated:				
Buildings	276,276.08			276,276.08
Improvements Other than Buildings	12,234,017.70	913,677.35		13,147,695.05
Machinery and Equipment	2,627,727.87	25,847.35		2,653,575.22
Total being depreciated	15,138,021.65	939,524.70		16,077,546.35
Less Accumulated Depreciation for:				
Buildings	259,088.40	3,319.62		262,408.02
Improvements Other than Buildings	4,708,343.46	364,078.89		5,072,422.35
Machinery and Equipment	1,686,062.36	95,159.22		1,781,221.58
Total accumulated depreciation	6,653,494.22	462,557.73		7,116,051.95
Total Business-Type Activities Capital Assets, Being Depreciated, Net	8,484,527.43	476,966.97		8,961,494.40
Business-Type Activities Capital Assets, Net	\$ 9,551,691.52	\$ 476,966.97	\$ (913,677.35)	\$ 9,114,981.14

Depreciation expense was charged to functions as follows:

Water	\$ 175,511.01
Sewer	161,875.89
Electric	122,887.41
Garbage	2,283.42
Total Depreciation Expense- Business-type Activities	\$ 462,557.73

Construction Work in Progress at December 31, 2020 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended through 12/31/21</u>	<u>Committed</u>
<u>Governmental Activities:</u>			
2019 Overlay Project	\$ 108,448.50	\$ 108,448.50	\$
Total Governmental Activities	\$ 108,448.50	\$ 108,448.50	\$

NOTE 9 - LONG - TERM LIABILITIES:

A summary of changes in long-term liabilities follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Primary Government:					
Governmental Activities:					
Bonds Payable	\$	\$1,500,000.00	\$	\$ 1,500,000.00	\$ 65,000.00
Lease Payable	291,304.23		(16,022.92)	275,281.31	16,696.15
Notes Payable	198,308.40		(46,984.80)	151,323.60	46,984.80
Total Debt	489,612.63	1,500,000.00	(63,007.72)	1,926,604.91	128,680.95
Accrued Compensated Absences -					
Governmental Funds	26,606.74	35,874.06	(25,651.75)	36,829.05	36,829.05
Total Governmental Activities	516,219.37	1,535,874.06	(88,659.47)	1,963,433.96	165,510.00
Business-Type Activities:					
Certificates of Participation	260,000.00		(80,000.00)	180,000.00	85,000.00
State Revolving Funds	2,012,796.76	138,316.70	(169,872.16)	1,981,241.30	183,813.15
Total Debt	2,272,796.76	138,316.70	(249,872.16)	2,161,241.30	268,813.15
Accrued Compensated Absences -					
Business-Type Funds	20,247.41	21,386.85	(20,247.41)	21,386.85	21,386.85
Total Business - Type Activities	2,293,044.17	159,703.55	(270,119.57)	2,182,628.15	290,200.00
Total Primary Government	\$ 2,809,263.54	\$1,695,577.61	\$ (358,779.04)	\$ 4,146,062.11	\$ 455,710.00

Debt payable at December 31, 2020 is comprised of the following:

	General Long-Term Debt	Enterprise Funds
<u>Compensated Absences:</u>		
Vested vacation leave payable; payable as used or on termination; payments made from the General and Enterprise Funds.	\$ 36,829.05	\$ 21,386.85
<u>State Revolving Loans:</u>		
State Revolving Fund Loan 3.5% Interest, Final Maturity Date of January 15, 2023 Retired by the Water Fund.		\$ 33,056.02
State Revolving Fund Loan 3.5% Interest, Final Maturity Date of April 15, 2023 Retired by the Sewer Fund.		77,833.68
State Revolving Fund Loan 3.25% Interest, Final Maturity Date of July 15, 2026 Retired by the Water Fund.		203,411.17
State Revolving Fund Loan 3.25% Interest, Final Maturity Date of August 27, 2026 Retired by the Water Fund.		53,917.20
State Revolving Fund Loan 3.25% Interest, Final Maturity Date of July 15, 2028 Retired by the Sewer Fund.		47,106.21
State Revolving Fund Loan 3.25% Interest, Final Maturity Date of January 15, 2030 Retired by the Sewer Fund.		79,541.96
State Revolving Fund Loan 3.25% Interest, Final Maturity Date of January 15, 2030 Retired by the Water Fund.		276,765.69
State Revolving Fund Loan 3.25% Interest, Final Maturity Date of July 15, 2049 Retired by the Sewer Fund.		132,455.00
State Revolving Fund Loan 3% Interest, Final Maturity Date of July 15, 2031 Retired by the Sewer Fund.		313,000.44
State Revolving Fund Loan 3% Interest, Final Maturity Date of July 15, 2031 Retired by the Water Fund.		205,762.50
State Revolving Fund Loan 3.25% Interest, Final Maturity Date of July 15, 2049 Retired by the Water Fund.		558,391.43
TOTAL STATE REVOLVING LOANS		\$ 1,981,241.30
<u>Certificates of Participation:</u>		
Refunding Certificates of Participation - Series 2014 1.0% to 3.7%, depending on the term of maturity of the related principal payment. Final Maturity Date of January 2023. Retired by the Electric Fund.		\$ 180,000.00

General Long-Term
Debt

Leases:

Community Center, financed through First Dakota National Bank at 3.875% interest, final maturity date of December 1, 2023. Retired by the Liquor, Lodging & Dining Gross Receipts Tax Fund

\$ 275,281.31

Bank Notes:

2019 Elgin Pelican Street Sweeper, financed through Bancorp at 3% interest, final maturity date of 1/24/2024. Retired by the General Fund.

114,707.60

2019 Dodge Durango Pursuit, financed through Bancorp at 3% interest, final maturity date of 2/26/2021. Retired by the General Fund

36,616.00

GO Bonds Payable:

Series 2020, final maturity date of 12/01/39. Retired by the General Fund.

1,500,000.00

\$ 1,926,604.91

The annual requirements to amortize all debt outstanding as of December 31, 2020, except for compensated absences are as follows

**Annual Requirements to Amortize Long-term Debt
December 31, 2020**

Year Ending Dec 31,	State Revolving Fund Loans		GO Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 183,813.15	\$ 61,237.33	\$ 65,000.00	\$ 27,734.66	\$ 85,000.00	\$ 6,570.00
2022	189,857.37	55,193.11	70,000.00	24,633.76	95,000.00	3,467.50
2023	168,096.64	49,121.88	70,000.00	24,213.76		
2024	152,930.60	44,126.80	70,000.00	23,723.76		
2025	157,833.26	39,224.14	70,000.00	23,233.76		
2026-2030	596,652.24	130,163.20	380,000.00	101,481.26		
2031-2035	110,029.56	77,759.36	410,000.00	63,225.00		
2036-2040	122,780.35	59,370.85	365,000.00	19,320.00		
2041-2045	144,349.90	37,801.30				
2046-2050	154,898.23	12,502.38				
Total	<u>\$ 1,981,241.30</u>	<u>\$ 566,500.35</u>	<u>\$ 1,500,000.00</u>	<u>\$ 307,565.96</u>	<u>\$ 180,000.00</u>	<u>\$ 10,037.50</u>

Year Ending Dec 31,	Lease		Bank Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 16,696.15	\$ 10,514.45	\$ 46,984.80	\$ 3,090.64	\$ 397,494.10	\$ 109,147.08
2022	17,364.05	9,846.55	46,984.80	3,090.64	419,206.22	96,231.56
2023	241,221.11	8,402.21	28,676.80	2,493.64	507,994.55	84,231.49
2024			28,677.20	2,493.64	251,607.80	70,344.20
2025					227,833.26	62,457.90
2026-2030					976,652.24	231,644.46
2031-2035					520,029.56	140,984.36
2036-2040					487,780.35	78,690.85
2041-2045					144,349.90	37,801.30
2046-2050					154,898.23	12,502.38
	<u>\$ 275,281.31</u>	<u>\$ 28,763.21</u>	<u>\$ 151,323.60</u>	<u>\$ 11,168.56</u>	<u>\$ 4,087,846.21</u>	<u>\$ 924,035.58</u>

NOTE 10 - RESTRICTED NET POSITION:

Restricted Net Position for the year ended December 31, 2020 was as follows:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Major Purposes:			
UDAG	\$ 158,743.84	\$	\$ 158,743.84
Debt Service		160,340.62	160,340.62
Other Purposes:			
Equipment Repair and Replacement		400,000.00	400,000.00
Liquor, Lodging, & Dining	73,163.53		73,163.53
Public Library	11,285.07		11,285.07
SDRS Pension Purposes	24,434.55		24,434.55
Total Restricted Net Position	\$ 267,626.99	\$ 560,340.62	\$ 827,967.61

These balances are restricted due to grant regulations, debt covenants, and statutory requirements.

NOTE 11 – JOINT VENTURE

The Community Center Financing (Capital Acquisition) Lease represents a joint venture between the City of Elk Point and the Recreation Development Association (RDA). The City of Elk Point entered into an agreement with the RDA for the purpose of constructing a building for joint use between the City and RDA. The financing lease represents the amount of investment the city has in the joint venture.

NOTE 12 – PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and

credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Municipality's share of contributions to the SDRS for the calendar years ended December 31, 2020, 2019, and 2018 were \$53,483.16, \$48,115.06, and \$50,211.91, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2020, SDRS is 100.04% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the City as of this measurement period and reported by the City as of December 31, 2020 are as follows:

Proportionate share of pension liability (asset)	\$ 5,048,302.89
Less proportionate share of net pension restricted for pension benefits	<u>5,050,086.39</u>
Proportionate share of net pension liability (asset)	<u>\$ (1,783.50)</u>

At December 31, 2020, the City reported a total net pension liability (asset) of (\$1,783.50) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the City's share of contributions to the pension

plan relative to the contributions of all participating entities. At June 30, 2020, the City's proportion was 0.04106650%, which is an increase (decrease) of 0.0025262% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the City recognized governmental activities pension expense (reduction of pension expense) of \$89,061.08. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 6,822.90	\$ 1,397.15
Changes in assumption	57,448.27	231,692.10
Net difference between projected and actual earnings on pension plan investments	165,768.53	
Changes in proportion and difference between City contributions and proportionate share of contribution:	11,058.81	11,456.86
City contributions subsequent to the measurement date	26,098.65	
TOTAL	\$ 267,197.16	\$ 244,546.11

\$26,098.65 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended December 31:

2021	\$ (20,586.66)
2022	(15,873.86)
2023	2,507.22
2024	30,903.75
TOTAL	\$ (3,049.55)

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.5% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of pension plan investment expense
Future COLAs	1.41%

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	<u>2.0%</u>	1.0%
Total	<u>100.0%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of liability (asset) to changes in the discount rate:

The following presents the City's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset)	\$ 691,883.69	\$ (1,783.50)	\$ (569,189.62)

Pension Plan Fiduciary Net Position:

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

NOTE 13- RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2020, the City managed its risks as follows:

Employee Health Insurance:

The City purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The City purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance, which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended December 31, 2020, no claims were filed for unemployment benefits and no claims were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

NOTE 14 - SIGNIFICANT CONTINGENCIES - LITIGATION:

At December 31, 2020, the city was not involved in any litigation.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

During 2019, the City expended amounts as part of capital assets in the 2019 Overlay Project. This expended amount was unrecorded in the amount of \$19,840.00. Therefore, a prior period adjustment is being applied to the beginning fund balances during the current fiscal year.

In prior years, an allowance was setup in the Electric Fund for receivables that may not be collected. This allowance of \$55,542.54 has been adjusted during the current year for this allowance, which should have been reversed in a prior year.

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF ELK POINT
BUDGETARY BASIS COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes	\$ 888,915.00	\$ 889,915.00	\$ 879,359.13	\$ (10,555.87)
General Sales and Use Taxes	575,000.00	575,000.00	712,142.50	137,142.50
Amusement Taxes	200.00	200.00	168.00	(32.00)
Penalty and Interest on Delinquent Taxes	1,000.00	1,000.00		(1,000.00)
	1,000.00	1,000.00		(1,000.00)
Licenses and Permits	7,500.00	7,500.00	8,639.00	1,139.00
Video and Lottery	1,500.00	1,500.00	1,450.00	(50.00)
Intergovernmental Revenue:				
Federal Grants			260,878.36	260,878.36
State Grants	575,600.00	576,815.00	1,215.00	(575,600.00)
State Shared Revenue:	12,800.00	12,800.00	13,587.40	787.40
Bank Franchise Tax	9,000.00	9,000.00	12,171.40	3,171.40
Motor Vehicle Licenses (5%)	23,000.00	23,000.00	26,967.18	3,967.18
Local Government Highway and Bridge Fund	15,000.00	15,000.00	15,714.06	714.06
Other	6,000.00	6,000.00	16,955.63	10,955.63
County Shared Revenue:				
County Wheel Tax	6,500.00	6,500.00	7,249.87	749.87
Charges for Goods and Services:				
General Government	5,500.00	5,500.00	5,493.38	(6.62)
Public Safety	700.00	700.00	154.10	(545.90)
Health	500.00	500.00	330.00	(170.00)
Culture and Recreation	25,950.00	25,950.00	19,391.49	(6,558.51)
Fines and Forfeits:				
Court Fines and Costs	1,250.00	1,250.00	970.51	(279.49)
Miscellaneous Revenue:				
Investment Earnings	13,500.00	13,500.00	9,537.02	(3,962.98)
Rental Income			5,400.00	5,400.00
Special Assessments	11,275.00	11,275.00	13,175.18	1,900.18
Cemeteries	8,000.00	8,000.00	10,000.00	2,000.00
Cable	11,000.00	11,000.00		(11,000.00)
Contributions and Donations		13,968.00	14,011.00	43.00
Other	50.00	10,050.00	33,834.90	23,784.90
Total Revenue	2,200,740.00	2,226,923.00	2,068,795.11	(158,127.89)
Expenditures:				
General Government:				
Legislative	280,915.00	304,883.00	300,311.75	4,571.25
Other-City Hall	25,625.00	26,625.00	25,760.48	864.52
Contingency	30,000.00	30,000.00		30,000.00
Executive	21,000.00	21,000.00		21,000.00
Total General Government	357,540.00	382,508.00	326,072.23	56,435.77

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF ELK POINT
BUDGETARY BASIS COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Public Safety:				
Police	387,000.00	387,000.00	367,508.49	19,491.51
Other Protection	6,500.00	6,500.00	5,995.75	504.25
Total Public Safety	393,500.00	393,500.00	373,504.24	19,995.76
Public Works:				
Highways and Streets	657,175.00	657,175.00	518,473.39	138,701.61
Cemeteries	27,600.00	27,600.00	19,642.28	7,957.72
Total Public Works	684,775.00	684,775.00	538,115.67	146,659.33
Health and Welfare:				
Health	3,050.00	4,265.00	3,834.42	430.58
Humane Society	600.00	1,600.00	1,060.00	540.00
Total Health and Welfare	3,650.00	5,865.00	4,894.42	970.58
Culture and Recreation:				
Recreation	74,650.00	108,618.00	106,591.94	2,026.06
Parks	65,005.00	69,005.00	67,227.50	1,777.50
Libraries	35,050.00	35,050.00	13,526.94	21,523.06
Museums	1,750.00	1,750.00	1,750.00	
Total Culture and Recreation	176,455.00	214,423.00	189,096.38	25,326.62
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	38,900.00	42,900.00	42,339.38	560.62
Total Conservation and Development	38,900.00	42,900.00	42,339.38	560.62
Debt Service	51,700.00	51,700.00	51,070.52	629.48
Total Expenditures	1,706,520.00	1,775,671.00	1,525,092.84	250,578.16
Excess of Revenue Over (Under) Expenditures	494,220.00	451,252.00	543,702.27	92,450.27
Other Financing Sources (Uses):				
Sale of Municipal Property	(93,000.00)	(93,000.00)	5,471.00	98,471.00
Proceeds of Long Term Debt Issued			1,500,000.00	1,500,000.00
Total Other Financing Sources (Uses)	80,205.00	(93,000.00)	1,505,471.00	1,598,471.00
Net Change in Fund Balances	574,425.00	358,252.00	2,049,173.27	1,690,921.27
Fund Balance - Beginning	1,253,694.07	1,253,694.07	1,253,694.07	
FUND BALANCE - ENDING	\$ 1,828,119.07	\$ 1,611,946.07	\$ 3,302,867.34	\$ 1,690,921.27

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF ELK POINT
BUDGETARY BASIS COMPARISON SCHEDULE
SPECIAL REVENUE FUND - UDAG FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous Revenue:				
Investment Earnings	\$	\$	\$ 22.73	\$ 22.73
Other	<u>5,520.00</u>	<u>5,520.00</u>	<u>4,955.73</u>	<u>(564.27)</u>
Total Revenue	<u>5,520.00</u>	<u>5,520.00</u>	<u>4,978.46</u>	<u>(541.54)</u>
Expenditures:				
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	<u>700.00</u>	<u>700.00</u>	<u>35.74</u>	<u>664.26</u>
Total Expenditures	<u>700.00</u>	<u>700.00</u>	<u>35.74</u>	<u>664.26</u>
Net Change in Fund Balances	4,820.00	4,820.00	4,942.72	122.72
Fund Balance - Beginning	<u>153,801.12</u>	<u>153,801.12</u>	<u>153,801.12</u>	
FUND BALANCE - ENDING	<u>\$ 158,621.12</u>	<u>\$ 158,621.12</u>	<u>\$ 158,743.84</u>	<u>\$ 122.72</u>

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF ELK POINT
BUDGETARY BASIS COMPARISON SCHEDULE
LIQUOR, LODGING, DINING SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Gross Receipt Business Taxes	\$ 27,300.00	\$ 27,300.00	\$ 24,408.47	\$ (2,891.53)
Contributions and Donations		4,000.00	58,066.77	54,066.77
Total Revenue	<u>27,300.00</u>	<u>31,300.00</u>	<u>82,475.24</u>	<u>51,175.24</u>
Expenditures:				
Debt Services	<u>27,275.00</u>	<u>31,275.00</u>	<u>31,210.60</u>	<u>64.40</u>
Total Expenditures	<u>27,275.00</u>	<u>31,275.00</u>	<u>31,210.60</u>	<u>64.40</u>
Net Change in Fund Balances	25.00	25.00	51,264.64	51,239.64
Fund Balance - Beginning	<u>21,898.89</u>	<u>21,898.89</u>	<u>21,898.89</u>	
FUND BALANCE - ENDING	<u>\$ 21,923.89</u>	<u>\$ 21,923.89</u>	<u>\$ 73,163.53</u>	<u>\$ 51,239.64</u>

CITY OF ELK POINT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

Note 1: Budgets and Budgetary Accounting:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board/City Commission introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board/City Commission, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by the resolution of the Governing Board/City Commission to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by the resolution of the Governing Board/City Commission.

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Fund, and Capital Projects Funds.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and each major special revenue fund. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
7. Budgets for the General Fund and each major special revenue fund are adapted on a basis consistent with accounting principles generally accepted in the United States (USGAAP).

Note 2: GAAP/ Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

Schedule of Required Supplementary Information

CITY OF ELK POINT

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

	2014	2015	2016	2017	2018	2019	2020
City's proportion of the net pension liability (asset)	0.0456160%	0.0446729%	0.0424054%	0.0408801%	0.0358362%	0.0385403%	0.0410665%
City's proportionate share of net pension liability (asset)	\$ (190,356)	\$ (189,471)	\$ 143,241	\$ (3,710)	\$ (836)	\$ (4,084)	\$ (1,784)
City's covered-employee payroll	\$ 753,339	\$ 755,309	\$ 743,912	\$ 719,803	\$ 778,281	\$ 745,043	\$ 824,307
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-25.27%	-25.09%	19.26%	-0.52%	-0.11%	-0.55%	-0.22%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.3%	104.1%	96.9%	100.1%	100.0%	100.1%	100.0%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of Required Supplementary Information

CITY OF ELK POINT

SCHEDULE OF THE CITY'S CONTRIBUTIONS

South Dakota Retirement System

	2015	2016	2017	2018	2019	2020
Contractually required contribution	<u>\$ 48,861</u>	<u>\$ 47,793</u>	<u>\$ 46,189</u>	<u>\$ 50,212</u>	<u>\$ 48,115</u>	<u>\$ 53,483</u>
Contributions in relation to the contractually required contribution	<u>\$ 48,861</u>	<u>\$ 47,793</u>	<u>\$ 46,189</u>	<u>\$ 50,212</u>	<u>\$ 48,115</u>	<u>\$ 53,483</u>
Contribution deficiency (excess)	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>
City's covered-employee payroll	\$ 755,309	\$ 743,912	\$ 719,803	\$ 778,281	\$ 745,043	\$ 824,307
Contributions as a percentage of covered-employee payroll	6.47%	6.42%	6.42%	6.45%	6.46%	6.49%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled governments should present information for those years for which information is available.

CITY OF ELK POINT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of the Proportional Share of the Net Pension Liability (Asset) and
Schedule of Contributions

CHANGES FROM PRIOR VALUATION

The June 30, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2019 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

The details of the changes since the last valuation are as follows:

BENEFIT PROVISION CHANGES

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020 and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

ACTUARIAL ASSUMPTION CHANGES

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

ACTUARIAL METHOD CHANGES

No changes in actuarial methods were made since the prior valuation.

**CITY OF ELK POINT
COMBINING BALANCE SHEET
SPECIAL REVENUE NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	Special Revenue	
	Safe Routes to School Fund	Library Fund
<u>ASSETS:</u>		
Cash and Cash Equivalents	\$ 17.04	\$ 11,268.03
TOTAL ASSETS	<u>17.04</u>	<u>11,268.03</u>
<u>LIABILITIES AND FUND BALANCES:</u>		
Liabilities:		
No Liabilities	<u>0.00</u>	<u>0.00</u>
 Fund Balances:		
Restricted		11,268.03
Unassigned	<u>17.04</u>	
Total Fund Balances	<u>17.04</u>	<u>11,268.03</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 17.04</u>	<u>\$ 11,268.03</u>

**CITY OF ELK POINT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Special Revenue	
	Safe Routes to School Fund	Library Fund
<u>Revenues:</u>		
Miscellaneous Revenue:		
Investment Earnings	\$	\$ 17.81
Contributions & Donations	17.04	4,610.99
Total Revenue	17.04	4,628.80
<u>Expenditures:</u>		
Culture and Recreation:		
Libraries	0.00	2,839.64
Total Expenditures	0.00	2,839.64
Net Change in Fund Balances	17.04	1,789.16
Fund Balance - Beginning		9,478.87
FUND BALANCE - ENDING	\$ 17.04	\$ 11,268.03

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
ELK POINT, SOUTH DAKOTA 57025

(605) 356-3374

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Council
City of Elk Point
Elk Point, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elk Point, South Dakota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise City of Elk Point's basic financial statements and have issued our report thereon dated October 19, 2021. A disclaimer of opinion was issued on the aggregate discretely presented component unit because the financial data of this component unit was not audited.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Elk Point's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Elk Point's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Elk Point's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency described in the accompanying Schedule of Prior and Current Audit Findings as item 2020-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Elk Point's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Municipality's Response to Findings

The City of Elk Point's response to the findings identified in our audit is described in the accompanying Schedule of Prior and Current Audit Findings. The City of Elk Point's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Quam, Berglin & Post, P.C.
Certified Public Accountants
Elk Point, SD

October 19, 2021

**CITY OF ELK POINT
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
DECEMBER 31, 2020**

STATUS OF PRIOR AUDIT RECOMMENDATIONS:

Audit Finding Number 2019-001:

The City of Elk Point does not have an adequate segregation of duties for revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This finding has not been corrected and is being restated as Audit Finding Number 2020-001.

Audit Finding Number 2019-002:

Expenditures were paid in excess of appropriations for some departments. This finding has been corrected.

CURRENT AUDIT FINDINGS:

Audit Finding Number 2020-001

The City of Elk Point does not have an adequate segregation of duties for revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This is the fourteenth consecutive audit report in which this finding has appeared.

Criteria:

In order to achieve proper internal control, it is necessary to have a segregation of duties provided between performance, review and record keeping of the tasks related to revenues. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

Condition Found:

A material weakness in internal controls was reported due to a lack of adequate segregation of duties for revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Recommendation:

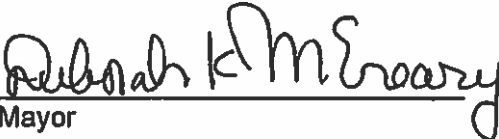
We recommend that the City officials be cognizant of this lack of segregation of duties and attempt to provide compensating controls whenever and wherever possible and practical.

**CITY OF ELK POINT
ELK POINT, SD 57025**

**Corrective Action Plan
For the year ended December 31, 2020**

The City of Elk Point has considered the lack of segregation of duties.

At this time, it is not cost efficient for the City of Elk Point to hire additional staff needed to achieve segregation of duties. The City of Elk Point has implemented alternate procedures, to decrease the likelihood that financial data is adversely affected.



Mayor



Finance Officer/City Administrator